

Message Text

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PAGE 01 STATE 040769
ORIGIN NEA-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED BY: NEA/ARP: JW TWINAM: LB

APPROVED BY: J W TWINAM

-----037652 161517Z /47

R 160158Z FEB 78

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

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FOLLOWING REPEAT TREASURY MESSAGE SENT ACTION BONN LONDON PARIS TOKYO
JIDDA INFO SECSTATE TRTSEC FEB 15 DTG O 150020Z FEB 8

QUOTE UNCLAS

SUBJECT: SECRETARY BLUMENTHAL'S FEBRUARY 14 PRESS CONFERENCE.

1. IN A PRESS CONFERENCE FEBRUARY 14, SECRETARY OF THE
TREASURY BLUMENTHAL DISCUSSED HIS FEBRUARY 11-13 TRIP TO
EUROPE FOR A MEETING OF THE GROUP OF FIVE IN PARIS AND FOR
BILATERAL DISCUSSIONS WITH CHANCELLOR SCHMIDT IN BONN.
THE SECRETARY ALSO CONFIRMED, IN RESPONSE TO A QUESTION,
THAT HE HAD MET BILATERALLY WITH FINANCE MINISTER ABALKHAIL
OF SAUDI ARABIA. PRINCIPAL POINTS MADE BY THE SECRETARY
FOLLOW:

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2. WORLD ECONOMIC OUTLOOK: THE SECRETARY SAID THAT HE COULD
NOT DISCUSS WHAT TRANSPIRED AT G-5 MEETINGS. HE BELIEVED,
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HOWEVER, THAT THERE WAS A CONSENSUS THAT DIVERGENCE OF
ECONOMIC GROWTH RATES AMONG OECD COUNTRIES WOULD DIMINISH
CONSIDERABLY IN 1978, CONTRIBUTING TO IMPROVEMENT
IN INTERNATIONAL PAYMENTS PATTERNS, AN INCREASE OF ABOUT
1 PERCENT IN THE OECD GROWTH RATE WAS EXPECTED. HE HAD NOT
GONE TO BONN TO ENCOURAGE THE GERMANS TO DO MORE, BUT RATHER
TO REVIEW THE SITUATION. HE WAS ENCOURAGED BY CHANCELLOR

SCHMIDT'S CONFIDENCE THAT GERMANY WOULD ACHIEVE ITS GROWTH RATE TARGET OF 3.5 PERCENT -- A FULL PERCENTAGE POINT ABOVE CALENDAR 1977. GIVEN SLOW GROWTH IN THE LATTER PART OF 1977, A 3.5 PERCENT YEAR OVER YEAR GROWTH WOULD MEAN A 4.5 TO 5 PERCENT GROWTH RATE BY LATE 1978. MOREOVER, JAPAN WAS UNDERTAKING TO SPUR GROWTH AND REDUCE ITS TRADE SURPLUS. THESE FACTORS WOULD BRING BOTH DIRECT AND INDIRECT BENEFITS TO THE U.S. TRADE AND CURRENT ACCOUNT DEFICIT, WHICH COULD BE EXPECTED TO BE TRENDING DOWN BY THE END OF THE YEAR.

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3. EXCHANGE MARKETS: IN REPLY TO QUESTIONS THE SECRETARY STATED THAT THE U.S. AND GERMANY HAD REVIEWED CURRENT ARRANGEMENTS TO DEAL WITH DISORDERS IN THE FOREIGN EXCHANGE MARKET AND HAD AGREED TO CONTINUE THEIR CLOSE COLLABORATION. COOPERATION WAS EXCELLENT. U.S. WOULD INTERVENE TO THE EXTENT NECESSARY TO COUNTER MARKET DISORDER. THE U.S. AT THIS TIME HAD NO INTENTION OF ISSUING FOREIGN CURRENCY DENOMINATED SECURITIES.

4. OIL PRICES: THE SECRETARY CONFIRMED THAT HE HAD MET WITH THE SAUDI FINANCE MINISTER WHILE IN EUROPE. ABALKHAIL INDICATED THAT HE THOROUGHLY UNDERSTOOD THE STRENGTHS OF THE U.S. ECONOMY AND THAT SAUDI ARABIA HAD NO INTENTION OF SHIFTING FROM THE DOLLAR TO THE SDR OR ANOTHER CURRENCY IN OIL PRICING.
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NOR WAS THERE ANY INTENTION TO SHIFT INVESTMENTS OUT OF DOLLAR ASSETS.

5. SUMMIT: TO A NUMBER OF QUESTIONS ABOUT THE SUMMIT, THE SECRETARY RESPONDED THAT SUMMIT PLANNING HAD NOT COME UP IN HIS MEETINGS WITH CHANCELLOR SCHMIDT. HE STRESSED THAT THERE WAS NO CHANGE IN THE U.S. POSITION REGARDING A SUMMIT AND THAT ANY QUESTIONS ABOUT ACCEPTANCE OF AN INVITATION SHOULD BE DIRECTED TO THE WHITE HOUSE FOR REPLY.

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6. WITTEVEEN FACILITY: THE SECRETARY INDICATED THAT HE HAD EXPLAINED THE CURRENT STATUS OF CONGRESSIONAL ACTION ON U.S. PARTICIPATION IN THE FACILITY. HE EXPRESSED CONFIDENCE THAT THE LEGISLATION, DEFINITELY IN THE U.S. INTEREST, WOULD BE PASSED AFTER CONGRESS RETURNED FROM THE CURRENT RECESS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC COOPERATION, PRESS CONFERENCES, MINISTERIAL VISITS, NEGOTIATIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE040769
Document Source: CORE
Document Unique ID: 00
Drafter: NEA/ARP: JW TWINAM: LB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780071-1023
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780246/aaaabmsk.tel
Line Count: 112
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4d7047d5-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3570781
Secure: OPEN
Status: NATIVE
Subject: SECRETARY BLUMENTHAL'S FEBRUARY 14 PRESS CONFERENCE.
TAGS: OVIP, SOPN, EFIN, EAID, ECON, US, FR, GE, SA, OECD, (BLUMENTHAL, W MICHAEL)
To: ABU DHABI DOHA MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4d7047d5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014